

ITEM NO.	SUBJECT	REF
	DRAFT BUDGET - MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) 2017/2018 – 2019/2020	

REPORT TO: COUNCIL

DATE: 23 MARCH 2017

DIRECTORATE: FINANCE

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A. PURPOSE

To table for consideration before Council the Draft Medium Term Revenue and Expenditure Framework for 2017/2018, 2018/2019 and 2019/2020 in terms of Section 16 of the Municipal Finance Management Act, No 56 of 2003.

PART 1 – ANNUAL BUDGET

1.1 MAYOR'S REPORT

To be circulated separately

1.2 RESOLUTIONS

Recommends **THAT**

- The Council consider in terms of Section 24 of the Municipal Finance Act, 56 of 2003, the **DRAFT** Annual Budget of the Municipality for the Financial year 2017/2018; and indicative allocations for the two projected outer years 2018/2019 and 2019/2020; as set out in the A Schedules annexured hereto as follows:

Table A2: Budgeted Financial Performance (Revenue and Expenditure by standard classification)
Table A3: Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
Table A4: Budgeted Financial Performance (Revenue and Expenditure)
Table A5: Budgeted Capital Expenditure by Vote, Standard Classification & Funding Source)
Table A6: Budgeted Financial Position
Table A7: Budgeted Cash Flow
Table A8: Cash backed reserves/accumulated surplus reconciliation
Table A9: Asset Management
Table A10: Basic service delivery measurement

It should be noted that in respect of Capital Expenditure Estimates:

- Instances where information has been provided in terms of Section 19(2) (b) of the Municipal Finance Management Act No.56 of 2003, the consideration of capital budget constitutes projects consideration for the specific projects as reflected in the detailed capital budget. Where information in terms of section 19(2) (b) is not provided, specific project approval be sought from council during the course of the year.
- That Council consider the draft amendments to its Tariffs of Charges as depicted on the schedule annexed hereto and marked as annexure B.
- That the Budget related policies be noted with the respective amendments;
 - Fixed Assets Management Policy
 - Inventory Management Policy
 - Unauthorized, Irregular, Fruitless & Wasteful Expenditure Policy
 - Borrowing Policy
 - Funding and Reserves Policy
 - Long Term Financial Planning
 - Infrastructure, Investments and Capital Projects
 - Banking, Cash Management & Investments Policy
 - Petty Cash Policy
 - Budget Policy
 - Credit Control & Debt Collection Policy
 - Indigent Management Policy
 - Customer Care and Management Policy
 - Supply Chain Management Policy
 - Virement Policy
 - Tariff Policy
 - Austerity measures policy
 - Accounts payables policy
- That the draft tariff of charges for 2017/18 financial year be increased by 10%.
- That in compliance with section 22 of the MFMA, the tabled draft budgets be published in the local press and municipal website, it being noted that Council's department of Corporate Governance will attend to these aspects.

- That the Sewer Tariff to be calculated on the market value of the property reflected in the KwaDukuza & Mandeni Municipality's valuation roll (excluding the Siza Water Concession Area) as follows:

2017/18	Type of Property
0.0087 cents in the rand on the market value	In respect of agricultural properties.
0.0069 cents in the rand on the market value	In respect of residential properties including sectional title units.
0.0232 cents in the rand on the market value	In respect of industrial, business and commercial properties.
0.288 cents in the rand on the market value up to a maximum of R493,02 per month	In respect of schools and properties used for worship or by welfare organisations.
0.288 cents in the rand on the market value	In respect of vacant properties.
0.0430 cents in the rand on the market value	In respect of state owned properties and public service infrastructure properties.
0.0430 cents in the rand on the market value	In respect of any other property not mentioned above.

- That where there is no valuation roll; the following be applicable:

2018/17
50% of the water consumption and water charge levied on a monthly basis.

- That Council notes that the draft service delivery and budget implementation plan for the 2017/2018 financial year will be tabled 28 days after the budget has been adopted.

1.3 EXECUTIVE SUMMARY

In terms of Chapter 4, Section 16 of the Municipal Finance Management Act, No 56 of 2003, the DRAFT Annual operational and capital budgets must be tabled by the Mayor at a council meeting on or before 31 March of each financial year to give effect to the public participation process as envisaged in the Municipal Systems Act and the MFMA of 2003. The annual draft budget is tabled at Council as per the requirements of the act, and the public will be afforded an opportunity to comment on the budget.

Section 24 of the MFMA further requires that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget, as the budget must be approved before the start of each financial year. It is in compliance with these sections that the budget is hereby tabled 90 days prior to the new financial year 2017/2018.

The executive summary report is set out under the following main broad headings:

- Annual budgets:
 - Operating budget summary
 - Capital budget
- Proposed tariff structures
- Measurable performance objectives for revenue
- Municipal entity – Enterprise iLembe
- Service agreements
- New budget regulations and circulars
- Budget related policies
- Public input
- Publication of budgets

As a requirement of the MFMA 56, of 2003 and MSA 32 of 2000, the budget and IDP process plan adopted by the Council in August 2015 has been guiding path and has made possible a highly interactive and consultative process.

The Mid-Year Budget and Performance Assessment report was conducted and presented by the Accounting Officer to the Mayor of the District, who then submitted the performance assessment report to Council for consideration at the end of January

2017 and to the National Treasury and the relevant Provincial Treasury in line with section 54(1) (f) of the MFMA.

The report resolved a preparation of the consolidated adjusted budget for the year 2016/17 financial year for both iLembe District and its entity. The adjustment was prepared mainly to align the spending with the currently implemented Financial Recovery Plan, as a result, some internally funded projects were to be delayed while District is addressing matters and for consideration of rolled-over conditional grants. The adjustments budget was tabled to Council by His worship, Mayor of iLembe District Municipality on 28 February 2017 in line with section 28 of the MFMA. During this process and where appropriate, funds were transferred from low-to high priority programs so as to maintain sound financial stewardship. A critical review was further undertaken to limit spending on non-core items to align the budget with the District's austerity measures. Approaching the adjustments budget process, a constant consultation between the District and Provincial Treasury was maintained following their High Level Assessment on the 2017 approved budget. Comments on the adjusted budget have not been received.

Various challenges were encountered during the course of the financial year. These were broadly presented before various committees for deliberation and tabled during the adjustments budget process. Some of these are of a great concern and have been considered during the 2017/2018 budget preparation process. On a high level, these included the following:

- Revenue growth patterns which impacts on the implementation of the budget as expenditure further relies on what is collected at the end of the month.
- Implementation of the outcome of the meter audit.
- A difficulty arising from a slow recovery from the drought that had previously affected the whole province and particular our district.
- Due to the delay on the payment of invoices, the National School's Nutrition Programme was temporarily suspended, the adjustments budget needed revision to rectify the challenge.
- A roll over of unspent conditional grants approved in terms of the Division of Revenue Act as per the municipality's application in August 2016.
- The annual budget shall be adjusted to accommodate the Division of Revenue Act Amendment and or other amendment by the funders of our programmes.

- The budget on multi-year funded projects will be adjusted as a result of variance on between planning cashflow projections versus and implementation cashflow.
- Community out rest arising from labour and other consumer related matters within the District, with some resulting in interruption of water supply.
- Constrained cash flow position whereby there was a risk of other services being temporarily suspended.

The aforementioned challenges are being discussed at various levels and strategies are in place to deal with same, and implementation is monitored at the various council portfolio committees.

The directive on the 2017/18 draft annual budget was presented to management, including the Municipal Manager before being tabled for discussion at the Budget and Steering Committee. In terms of the Regulations this must be done before tabling the annual budget to full council for consideration and also considering the public participation process. The draft budget is now therefore being tabled at full Council.

The 2017/2018 Medium Term Revenue and Expenditure Framework focuses on the long and short term objectives and priorities of the District as well as outcomes and outputs, based on the following IDP Priorities:

- Basic Service Delivery;
- Municipal Institutional Development and Transformation;
- Local Economic Development;
- Municipal Financial Viability and Management;
- Good Governance and Public Participation;
- Safe and Secure environment;
- Spatial Development Framework Analysis; and
- Environmental Management.

National Treasury's MFMA Circular No 10, 13, 19, 42, 48, 51, 54, 58, 59 , 66, 74, 75 and 78, 79, 82, 85 and 86 as well as the Municipal Budget & Reporting Regulations and the Municipal Finance Management Act were used to guide the compilation of the 2016/2017 MTREF.

The main challenges experienced during the compilation of the 2016/2017 MTREF can be summarised as follows:

- The need to re-prioritise projects and expenditure within the existing resources envelope given the cash flow realities;
- Ageing infrastructure, quality and quantity of drinkable water;
- The increased cost of bulk water which is pushing the tariffs upwards;
- Affordability of Capital Projects;
- Revenue growth patterns which impacts on the implementation of the budget.
- The downturn in the National and Local economy;
- Availability of affordable capital or borrowings; and
- Rising and unpredictable fuel, oil and energy prices resulting in challenges on revenue recoveries.
- Extreme bulk tariff increases that impact water tariff.
- Debts based on the current tariff structure calculated on water consumption.

The main areas that affected how this budget should be structured;

- ✓ The affordability of the cost-reflective tariff per kilo litre calculation (cost based tariffs);
- ✓ Reinstatement of the old sewer tariff structure (property value based tariffs) compared to the current sewer tariff structure (cost reflective tariff/ water consumption based tariffs) and see benefit and the impact on collection patterns;
- ✓ Review of revenue generation calculation projections to ensure that all contributing factors are taken into account;
- ✓ Proposal of 10% tariff increase and revision of the consumption based charge for sanitation revenue to be calculated on the market value of the property reflected in the KwaDukuza & Mandeni Municipality's valuation roll.
- ✓ It must be noted that the engineers guide book proposes that 90% of the water consumption goes to sewer, however, due to affordability assessment results, the municipality reduced this to 50% to respond to the needs of the people of iLembe District Municipality established during public participation meetings/engagements;
- ✓ Furthermore, a reduction of various variable operating expenditure items was kept at a minimum to match with the low tariff increase of 10%;
- ✓ During the adjustments budget process, the Municipal Entity, Enterprise iLembe's grant allocation was reduced in order to align its expenditure to the current austerity measures in place in the District. The grant allocation was reduced by R 2.5 million.

Operating Budget Summary

The proposed operational budget contains detailed information for the 2017/2018, 2018/2019 and 2019/2020 indicative financial years and is summarised below:

DC29 iLembe - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework		
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1			
Revenue By Source				
Service charges - water revenue	2	98,973	107,068	118,243
Service charges - sanitation revenue	2	62,229	68,452	80,247
Service charges - refuse revenue	2	–	–	–
Service charges - other		2,942	3,118	3,430
Rental of facilities and equipment		36	36	40
Interest earned - external investments		3,755	3,978	4,321
Interest earned - outstanding debtors		19,323	21,255	23,381
Agency services		1,483	1,567	1,657
Transfers and subsidies		439,250	488,567	537,378
Other revenue	2	22,642	24,910	26,663
Gains on disposal of PPE				
Total Revenue (excluding capital transfers and contributions)		650,632	718,951	795,359
Expenditure By Type				
Employee related costs	2	196,692	209,839	224,429
Remuneration of councillors		11,809	12,643	13,524
Debt impairment	3	44,232	63,566	73,199
Depreciation & asset impairment	2	76,970	80,901	92,818
Finance charges		12,906	13,412	14,185
Bulk purchases	2	85,466	94,260	103,972
Other materials	8	54,540	65,927	80,858
Contracted services		42,156	44,237	47,118
Transfers and subsidies		13,158	13,158	13,158
Other expenditure	4, 5	97,654	103,168	111,026
Loss on disposal of PPE				
Total Expenditure		635,583	701,111	774,288
Surplus/(Deficit)		15,049	17,840	21,071
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Transfers and subsidies - capital (in-kind - all)	6	250,626	297,473	318,582
Surplus/(Deficit) after capital transfers & contributions		410,675	405,313	404,653
Taxation				
Surplus/(Deficit) after taxation		410,675	405,313	404,653
Attributable to minorities				
Surplus/(Deficit) attributable to municipality		410,675	405,313	404,653
Share of surplus/ (deficit) of associate	7			
Surplus/(Deficit) for the year		410,675	405,313	404,653

The overall operational revenue budget in the 2017/18 amounts to R 650.6 million and the operational expenditure amounting to R 635.6 million including the non-cash.

Operations are thereby budgeted to achieve a net surplus of R15 million for 2017/18; R 17 million and R 21 million for 2018/19 and 2019/20 respectively.

The total surplus including capital transfers and contributions for 2016/17 amounts to R 410.6 million; and the two indicative years amount to R 405.3 million and R 404.6 million for 2018/19 and 2019/20 respectively.

Operating Revenue Framework

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:

- The 2016/2017 Adjustment Budget priorities and targets, as well as the base line allocations contained in that adjustment budget were adopted as the upper limits for the new baseline for the 2016/2017 draft budget;
- Service level standards were used to inform the measurable performance objectives, targets and backlog eradication;
- That tariff increases must be affordable and be measured against the cost of bulk water. It must be noted however that the proposed tariff is lower than the bulk water increase. Although tariffs need to remain or move towards being cost reflective a balance should be created for affordable services to consumers at the same it should take into account the need to address infrastructure backlogs and maintenance thereof; and
- That all grant funded projects will only be implemented provided that a written confirmation in the form of Division of Revenue Act ("DORA") or otherwise is available and gazetted.

Service charges tariffs are increased by 10%. Sewer water consumption base charge will no longer be applicable from 1 July 2017. Currently it is based on 50% water consumption. An assessment of the consumer affordability of tariffs was also considered. The sewer charge will now be based on property valuation

Operating income

a) Service Charges Revenue - Water

The proposed budget for water service charges amounts to a net of R98.9 million (2016/17: R101.5 million). Although it appears as this item has decreased compared to 2017/17, there is an additional revenue forgone related to free basic services amounting to R 10 million which is net off from Water service charges revenue. Basis of this calculation is the increase on tariff of charges by 10%. In addition, there are new areas which the District started billing consumers in 2017 financial year, with an estimated 1000 consumers. This number is estimated to increase in the 2017/18 financial year. The R 98.9 million is a net after adjusting for free basic water services from operating expenditure classification to revenue classification, so as to off-set the revenue as required by MFMA Circular 79.

b) Service Charges Revenue - Sanitation

The sanitation budget amounts to R62.2 million (2016/17: R 46.7m). The main attributes to this increase:

- A change on the tariff structure from the basis of water consumption to property valuation.
- The 10% tariff increase on sewer charges.
- This amount is a net of free basic sewer services from operating expenditure classification to Revenue classification to comply with the MFMA circular.

c) Service Charges Revenue – Other

Other service charges are budgeted at R2.9 million. This change resulted from increased revised service charges revenue generation calculation, and also factoring in the 10%.

d) Interest Earned on external Investments

Interest in investments are budgeted at R 3.7 million (2016/17: R3.6m). This refers to the combination of monies invested by the municipality as well as its entity on various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

e) Interest Earned on outstanding debtors

Considering the 10% tariff increase and the current levels, the interest on outstanding debtors are budget to be R19.3 million (2016/17: R18.5m).

f) Agency Services

Revenue from agency budget amounts to R1.4 million.

g) Transfers Recognised – Operational

The transfers' recognised Operational budget amounts to R439.2 million (2016/17: R 390.5m). The budget on this item is in line with the Division of Revenue Act No. 3 of 2018:

- Equitable share
- Financial Management Grant
- Rural Road Asset Management
- MIG Operational Grant

h) Other Revenue

Other revenue budget amounts to R22.6 million (2016/17: R19.6m). The main items making up this item are:

- Clearance certificate - R2.1 million
- The National School's Nutrition Programme under the Municipal Entity - R 16.7m

Operating Expenditure Framework

In preparing the 2016/17 MTREF, the following were considered:

- Balanced budget constrains which means that operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any shortfall or deficit;
- Funding of the budget over the medium-term as informed by section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherence to the principle of "no project plans no budget". If there is no business plan thus no funding allocation can be made; and

- The implementation of austerity measures on municipal operational expenditure.
- No new items in the budget but to base it from the adjustments budget amounts and only effect the CPI where applicable.

When compared to the adjusted budget, there is an increase of R51 million in the operating expenditure. This increase is mainly due to the inflationary increase of 6.4% as per the MFMA Budget Circular no. 86.

a) Employee related cost

Employee related cost is budgeted at R196.7 million (2017: R 183.5). No new posts were anticipated on the proposed budget except the 7% increment. However, there are posts that are still vacant from the current financial year. The municipality is currently working on introducing the shift system at Technical Services and this will be factored on the final budget after full deliberations in different structures.

b) Remuneration of councillors.

This item is budgeted at R 11.8 million, this increase is aligned to the consideration of determination of upper limits for councillors and Office Bearers.

c) Other Materials

Other materials are budgeted at R 54.5 million (2016/2017: R51.2). In terms of Municipal Budgeting and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver, but an outcome of other expenditures such as remuneration, purchases of materials and contracted services. Repairs and maintenance provision should at least amount to 8 percent of the municipality's Property Plant and Equipment. The provision is currently below norm. Considering the aforementioned financial challenges, hence only R 54.5 million could be afforded on the operational budget, however when the capital expenditure on renewal of existing assets is considered the percentage comes to 5% whereby the replacement/refurbishment costs are to replace/refurbish aged pipelines and pumps. Table A9, the budget provision for the renewal of assets may seem low compared to that required on MFMA circular No. 55, however the capital budget also addresses the refurbishment of old water infrastructure.

d) Debt Impairment

A proposed provision for bad debts totals to R 44.2 million. Whilst this expenditure is a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenue. This is in compliance with GRAP requirements. The bad debt provision has been calculated based on the 75% revenue collection rate that is budgeted for in the 2017/18 financial year.

e) Depreciation & Asset Impairment

A proposed provision for depreciation, amortisation and asset impairment of about R76.9 million is informed by the Fixed Asset Policy of the District. The provision on this item is as per the implementation of GRAP 17 accounting standard which must be complied with. It should also be noted that this item is provisional amount.

f) Finance Charges

Finance charges consists primarily the repayment of interest on long-term borrowings and interest charged on vehicles that are leased and is set at R12.9 million. This refers to the interest paid on loans in line with loan agreements that exist, as well as the lease agreement that the municipality has entered into and which has to be accounted as finance leases as per GRAP standards.

g) Bulk Purchases

The budget for bulk purchases is set at R85.4 million. When compared with the adjusted budget 2016/17, this shows a R 11.1 million increase.

The bulk purchase budget provision is based on the proposed tariff increase of 15% from Umngeni Water. This has had a negative impact in the cost of bulk water supply, particularly the purchasing of water from Umngeni Water is escalating.

With this high bulk purchases, the municipality is required to maintain affordability to municipal services while keeping the tariffs reflective of costs. The municipalities has to adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality.

h) Contracted Services

This item is budgeted at R 42.1 million. The overall reduction of expenditure as part of the austerity measures and the impact of a reduction in operating revenue, however (fixed contracted services are not affected). There has been a significant improvement to maintain low expenditure.

i) Transfers and Grants

This refers to the various transfers, both cash and non-cash, which the municipality will transfer to various organizations as well as certain groups. This item has been budgeted at R13.1 million funded through MIG and it relates to the VIP toilets which do not form part of the municipal asset register.

j) General expenses

The proposed budget allocation for other expenses amounts to R 97, 6 million. This significant reduction is as a result of the austerity measures implemented in the District as well as Enterprise iLembe's operating expenditure. A detailed breakdown of this cost can be viewed from the supporting Table SA1. The main items on this category are:

- National School's Nutrition Programme – R12.3 million
- Fuel and Oil – R 11.2 million
- Transfer from the District funding the municipal entity - R 18.5 million (in addition to the LED and Tourism funding)
- Electricity – R 21.3 million
- Training R 2.5 million
- Other items as per SA1

k) Surplus/Deficit

The adjusted budget shows a surplus of R 15 million. Furthermore, the operational expenditure includes non-cash items to the amount of R145 million, which leaves a surplus of R 161.1 million when these items are added back. The non-cash items pertain to:

- Depreciation and asset impairment
- Doubtful debt
- Free basic services, which is treated as revenue forgone.

Although this may seem to be available surplus it does not consider creditors from prior year, but will however cater to funding internally generated capital budget.

Municipal Standard Chart of Accounts (mSCOA)

There is a standing item at the MANCO meetings, and the mSCOA Steering Committee plays an oversight role in ensuring compliance by 1 July 2017. Due to the importance of ensuring the deadline is met on this project, a secondment of a project manager was appointed and started on 1 February 2017. Although there are challenges within the project, there is a significant progress to meet the deadline. A budget provision for this project was factored during the adjustments budget to cater for project management, system upgrade and the municipal entity's data migration to IDM.

It must be noted that, the surplus do not resolve the cashflow and liquidity position challenges that the municipality is currently facing. It will take the municipality approximately 2 years to recover from this epidemic. The municipality must continue to strive for an increase in the operating surplus in the next coming 2 financial years, so to ensure financial and service delivery sustainability.

It must be noted though, that to achieve same will not be easy in these challenging economic times mostly caused by external uncontrollable factors. This truly calls for Council to closely look into the manner which operations are conducted including implementation of austerity measures, growth in revenue. With the stance taken by the Management Committee, it is envisaged that results will be yielded.

Sanitation and Impact of Tariff Increases

A tariff of 10 per cent for sanitation effective from 1 July 2017 is proposed. This is based on property valuation from local municipalities. It should be noted that electricity costs contribute significant portion of waste water treatment input costs, therefore higher than the CPI. The following factors also contribute to the proposed tariff increase:

- Based on property valuation from local municipalities
- Free sanitation will be applicable to registered indigents and the total revenue anticipated in rendering this service amounts to R 24.9 million.

Although the District Municipality does not have control over the valuation as the document is maintained and implemented by local municipalities, it was resolved that this basis of calculation should be on property valuation.

In view of the above assumptions, deliberations and observations, it is proposed that the District's tariff and other charges be increased as follows and be advertised to the general public for comments:

Type of Service	Proposed Tariff Increase
Water charges	0%
Sewer charges	0%
Miscellaneous tariffs	Various (not exceeding 10%)
Cost Reflective portion of the tariff increase	10%

1.4 The following annual budget tables have been populated and are annexed to this item as Annexure A

Table A2: Budgeted Financial Performance (Revenue and Expenditure by standard classification)
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PART 2 – SUPPORTING DOCUMENTS

2.1 Overview of the annual budget process with Integrated Development Plan

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality as well as the chair of the Finance Portfolio Committee, meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in IDM's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly valued and prioritised in the allocation of resources.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year

strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- Provision of quality basic services and infrastructure,
- Economic growth and development that leads to sustainable job creation
- Fight poverty and build clean, healthy, safe and sustainable communities
- Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
- Promote sound governance

The draft 2017/18 budget is linked to the IDP as the review was an aligned process of the budget as per the budget timetable as approved by Council in August 2016. This has then been translated to the plan of the municipality for the year, i.e. the service delivery and budget implementation plan.

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.3 Measurable Performance Objectives

The performance objectives of the significant revenue streams of the District are recommended as follows:

Area	Performance Target
Water sales	Collection ratio in excess of 75%
Sewer charges	Collection ratio in excess of 75%
Miscellaneous tariffs	Collection ratio in excess of 75%

2.4 Overview of the Budget Related Policies

The following budget related policies are applicable to the 2017/18 budget process.. Policies were reviewed during the 2016/17 budget process, however after tabling of this draft budget, the policies will be circulated for deliberation prior to adoption in May. The policies applicable for the 2017/1 financial year are as follows:

- Tariff policy
- Fixed Assets Management Policy
- Banking, Cash Management & Investments Policy
- Inventory Management Policy
- Indigent Management Policy
- Petty Cash Policy
- Credit Control & Debt Collection Policy
- Supply Chain Management Policy
- Virement Policy
- Unauthorized, Irregular, Fruitless & Wasteful Expenditure Policy
- Budget Policy
- Customer Care and Management Policy
- Borrowing Policy
- Funding and Reserves Policy
- Long Term Financial Planning
- Infrastructure, Investments and Capital Projects
- Austerity Measures Policy
- Accounts Payable Policy

Listed below is a brief description of the budget-related policies. The policies are attached thereto.

2.4.1 Supply Chain Management Policy

The comprehensive Supply Chain Management Policy governs, inter alia, the procurement of goods and services; disposal of goods and selecting contractors to aid the Municipality in service delivery. This policy sets out the procedures that must be followed for the above activities in order to comply with all relevant legislation effectively.

2.4.2 Fixed Asset Management Policy

The Fixed Asset Management Policy governs the acquisition, utilisation, control, maintenance and disposal of assets of IDM. This policy ensures that assets are managed in an economical, effective and efficient manner throughout their life cycles, to achieve the maximum level of service.

2.4.3. Credit Control & Debt Collection Policy

The Credit Control & Debt Collection Policy, adopted by Council, focuses on all outstanding debt and aims to promote a culture of good payment habits amongst debtors. Debtors have a responsibility towards the payment of their accounts. This policy implements an appropriate, innovative system of debt collection, which is also cost-effective. The aim of this policy is to ensure that debt is collected in the shortest possible time, without any interference in the process, thereby reducing all municipal debt.

The Credit Control & Debt Collection Policy ensures a sensitive, transparent and equitable approach to debt recovery. It prescribes methods to effectively and efficiently deal with those who default on payments, whilst taking indigent consumers into consideration and keeping costs to a minimum.

2.4.4 Funding & Reserves Policy

The Funding & Reserves Policy is aimed at ensuring that the IDM procures sufficient and cost-effective funding to achieve its capital expenditure objectives in an optimum manner. This policy must be adhered to in the procurement of funding, whilst considering the maturity profile of IDM's assets and liabilities.

This policy sets out the assumptions and methodology for estimating:

- Revenue;
- Revenue that will not be collected;
- Proceeds from the disposal of assets;
- Proceeds from borrowings; and
- Funds to be set aside in Reserves (excluding Reserves held in order to comply with GRAP standards)

2.4.5 Cash Management & Investment Policy

The Investment & Cash Management Policy ensures that all investments are made in an effective and efficient manner and generate the best return for IDM. This policy ensures that all investments made take into account the preservation and safety of the principal and appropriate liquidity.

2.4.6 Virement Policy

The Virement Policy is in place to ensure good budgeting practice, effective financial management and improved budgetary controls. This policy establishes a framework for managers to administer their budgets successfully and remain within limitations.

2.4.7 Long Term Financial Planning

A policy has been developed on the Long term financial planning of the Municipality to achieve IDM's 2027 vision. Council reviews all budget-related policies annually. These policies are in compliance with all relevant legislation.

2.4.8 Indigent Management Policy

The Indigent Policy ensures that basic services are provided by IDM to all indigent members of its community in a sustainable manner, within the Council's financial capacity. Indigent households, in terms of this policy, qualify for free basic water (10kl) and sewer. All conditions stated in this policy must be met before a household may be registered as "Indigent". Households are required to formally apply for relief and must register each year for indigent support. The prescribed documentation is available from IDM Offices. IDM currently has revenue desks to also assist with the process of registration; this is also done at municipal offices.

2.4.9 Tariff Policy

The Tariff Policy is the policy for levying fees; rates or taxes for the municipal services provided by IDM. Tariff calculations are based on the nature of the service provided and treat all users of municipal services equally, by ensuring that consumers pay in proportion to the amount of services consumed. This policy covers the Tariff Determination Process and also the Classification and Pricing Strategies of Services. It highlights the fact that all proposed tariffs are presented to the community of during the Council's consultation process in respect of the MTREF. The aims of this policy are:

- to promote local economic development' growth and competitiveness
- to cater for the indigent households whilst keeping rates affordable
- to ensure financial sustainability of service delivery

This Policy complies with the MSA.

2.4.10 Borrowing Policy

The Borrowings Policy establishes a framework for incurring debt. It must be noted, however, that IDM does not raise any short-term debt. The guidelines provided in this policy ensure that IDM adheres to all statutory requirements regarding long-term debt. This policy aims to obtain funds at the lowest possible interest rates, and with minimum risk.

2.4.11 Budget Policy

The Budget Policy sets out the principles followed by IDM in drafting the MTREF. This policy covers the responsibilities of the Mayor; the MM; the CFO and other senior managers in preparing the MTREF. The operating and capital budget; budget funding; budget transfers; unavoidable expenditure and the budget preparation process are covered extensively.

2.4.12 Infrastructure, Investments & Capital Projects

This policy deals with investments in Infrastructure and Capital Projects to address the backlogs in service delivery as well as to promote economic growth within iLembe and surroundings.

2.4.13 Inventory Management Policy

The policy aims to achieve the following objectives which are to:-

- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
- c) Eliminate any potential misuse of inventory and possible theft.

2.4.14 Petty Cash Policy

This policy aims to regulate the use of Petty Cash Float within IDM and to ensure that in disbursing petty cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA).

2.4.15 Unauthorized, Irregular, Fruitless & Wasteful Expenditure Policy

The objectives of this policy includes amongst other things:

- (a) Emphasising the accountability of employees ;
- (b) Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or fruitless and wasteful expenditure;
- (c) Ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes;
- (d) Ensuring that the Municipality's resources are managed in compliance with the MFMA, the Municipal Regulations and other relevant legislation,
- (e) Ensure that irregular, unauthorised or fruitless and wasteful expenditure is detected, processed, recorded, and reported timeously.

2.4.16 Customer Care & Management Policy

Through this policy the municipality's aim is to ensure that a customer will be able to contact the municipality conveniently and will be treated courteously, promptly and fairly. The customer will receive a clear response to any service request or enquiry within a stated period of time.

2.4.17 Austerity Measures Policy

The aim of this policy is to prescribe cost containment measures for iLembe District Municipality in line with Treasury Instruction 01 of 2013.

2.4.18 Accounts Payables Policy

This policy is aimed at prescribing a process to be followed for the control and processing of all payments in terms of the Municipal Finance Management Act, Act no 56 of 2003.

2.5 Budget Assumptions

In the compilation of the budget, the following influencing factors were considered:

- Normal inflationary increases and pressures;
- That the budget is zero based, incremental and programme based;
- Inflation is 6.4% for the 2017/2018, 5.7% and 5.6% for 2018/18 and 2019/2020 respectively.
- An estimated as average CPI + 1 per cent salary increase as per circular 79 from Treasury.
- That there will be no changes to the powers and functions of the District during 2017/2018 financial year;
- That more than 75 % of revenue budgeted for will be collected;
- That all DORA allocations will be received during the 2017/2018 budget year.
- Increase to Tariff of charges by 10%

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management, which aims to ensure over 75% annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing /calculating the revenue requirement of each service; and
- Calculation and determination of cost reflective tariffs.
- The iLembe District municipality's Indigent Policy and rendering of free basic service; and tariff policies of the District.

2.6 Overview of Budget Funding

The budget is funded out of a number of revenue sources, which includes grants, water and sanitation service charges, investment income and other miscellaneous revenue. This can be viewed in more detail on table A4.

Section 17 and 18 of the MFMA legislates how a municipal budget should be funded. Additionally, MFMA Circular 42 – Funding a Municipal budget requires

an alignment of the budget and cash backed reserves/ accumulated surplus to ensure that the budget is appropriately funded.

It should be noted that the District highly reliant on grant funding. The capital budget will be funded through three funding sources:

- Own Funding
- Grant Funding
- Public contributions & donations

Funding of the tabled budget has taken into account the requirements of section 18 of the MFMA Act no. 53 of 2003. The capital budget is however not funded through the cash backed reserves.

The revenue generation projection was re-calculated using the 10% increase on tariffs and the actual service charges revenue as at 31 January 2017 which is the latest actual revenue in the current financial year.

It must be noted that, the changes affected into the budget does not yet place the municipality in a sound cash-flow position but moves the municipality towards such in 2 years to come. However, based on the provided A schedules the District's budget is funded. Further details can also be viewed from Table A8 and supporting Table SA10.

As a measure to the severe cash strain, the municipality will continue to implement its Revenue enhancement strategy in place to improve the revenue collection. The assumption of 75% collection rate is based on the 3 year average as per the audited outcome, the current trend as well as the engaged debt collector for the district

Cash Flow

The tabled budget year end cash balance is estimated at R 41.3 million by the end of the 2017/2018 financial year. As mentioned above, the current cash further cashflow analysis could be obtained from table A7.

2.7 Expenditure on Grants and Reconciliations of Unspent Funds

An amount of R 250 million will be secured through grant funding from National, Provincial Department on capital budget, R 145 million funded through public contributions. Grants allocated as per the DoRA can be viewed on SA19.

These grant will be spent this financial year for the purposes outlined in the memorandum of agreements and as set out in DoRA and includes DoRA allocations. Further details can be obtained on budgetary line items as disclosed in budget supporting documentation supporting table SA18, 19, 20.

2.8 Allocations of grants made by the Municipality

The budget related to funds made by the municipality amounts to R 15 million. Projects funded through this relate to the construction of VIP toilets in the Maphumulo, Mandeni and Ndwedwe areas whereas each LM is allocated R 5 million.

2.9 Councilor and board member allowances and employee benefits

The proposed budget allocation for employee related costs for the Enterprise and the District including Councillor Allowance is R 189,1 million for 2017/2018 MTREF. This amount includes posts as per the current staff establishment and the amendments to the current staff establishment, critical vacant positions, notch increases where applicable as well as the current wage agreement, as per MFMA Budget circular 79.

2.10 Service Delivery & Budget Implementation Plan (SDBIP)

The Draft Service Delivery and Budget Implementation will be tabled at Council 28 days after the budget has been tabled, in accordance with the requirements of the Municipal Finance Management Act.

2.11 Capital Expenditure Details

The proposed capital budget reflects a total amount of R 347, 9 million in the 2016/17 financial year; R 363,7 million and R 267 million for 2017/18 and 2018/18 respectively (excluding VAT) representing all categories identified as priority areas for capital expenditure during the review of the 2016/2017 IDP.

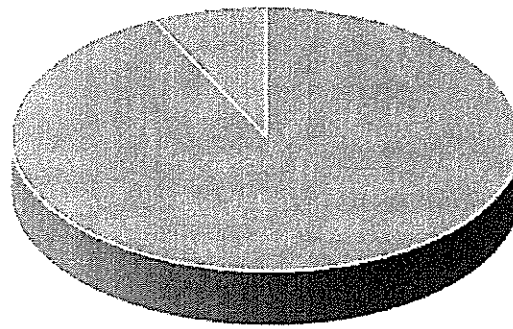
The Total capital budget for the entire MTREF amounts to R 978, 6 million.

DC29 iLembe - Table A5 Consolidated Budgeted Capital Expenditure by vote, fun

Vote Description R thousand	Ref	2017/18 Medium Term Revenue & Expenditure Framework		
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Functional				
<i>Governance and administration</i>		11,913	10,936	11,813
Executive and council				
Finance and administration		11,913	10,936	11,813
Internal audit				
<i>Community and public safety</i>		-	-	-
Community and social services				
Sport and recreation				
Public safety				
Housing				
Health				
<i>Economic and environmental services</i>		-	-	-
Planning and development				
Road transport				
Environmental protection				
<i>Trading services</i>		341,777	335,503	331,212
Energy sources				
Water management		290,369	203,046	193,075
Waste water management		51,408	132,456	138,138
Waste management				
<i>Other</i>				
Total Capital Expenditure - Functional	3	353,690	346,439	343,025
Funded by:				
National Government		219,847	260,941	279,458
Provincial Government				
District Municipality				
Other transfers and grants				
Transfers recognised - capital	4	219,847	260,941	279,458
Public contributions & donations	5	127,193	78,947	57,018
Borrowing	6			
Internally generated funds		6,650	6,550	6,550
Total Capital Funding	7	353,690	346,439	343,025

The proposed budget focuses on the expansion and refurbishment of infrastructure in order to ensure the District is able to deliver services in a timely manner while creating job opportunities. Ninety six percent (96%) of the capital budget is set aside for service delivery objective under trading services amounting to R 341 million. The Governance and Admin has been allocated 4% of the total capital budget.

Reconciliation of IDP strategic objectives and budget



⌘ Sustainable Services ⌘ Good Governance

Trading Services Projects are divided into the following categories:

Water Services

A total of R 290 million has been budgeted for the construction of new as well as refurbishment of water services assets. Table A9 provides a breakdown of how the expenditure towards the refurbishment of the existing assets and new assets is allocated. All local municipal areas will benefit from this provision.

Water Waste Management

A total of R 51 million has been provided on the capital budget to refurbish the existing assets as well as construction of new waste water assets.

A detailed breakdown of capital projects could be viewed on SA 35. Supporting schedules SA6 provides a breakdown of an alignment to the District's IDP strategic objectives against the proposed budget.

Capital Budget Funding

National Grant Funding

The movement on this funding from the tabled draft budget amounted to an R 219 million. There is a new grant related to energy efficiency amounting to R 6 m and this is factored on the capital budget.

Public Contributions and donations

There were no change in this funding, remains at R127 million as per the tabled Draft Budget 2017-18. This is a multiyear project funded as the Regional Bulk Infrastructure grant.

Internally generated Funding

The projects on this funding amounts to R6.6 million as previously mentioned in order to ensure the budget is funded while also ensuring sustained service delivery.

The total expenditure for 2018 is as follows:

	R '000
OPERATIONAL EXPENDITURE	635,583
CAPITAL EXPENDITURE	353,690
TOTAL	989,273

2.12 Contracts having future budgetary implications

The municipality currently has a contract with Siza Water, which is a 30 year agreement. This has been reflected accordingly on supporting table SA33.

Contracted Services

An amount for contracted services of about R 42.1 million is proposed. The budget for this item has resulted in a decrease that forms part of the intervention to contain costs in order to respond to the current financial challenges. A breakdown of all the contracted services can be viewed on the supporting table SA1.

2.14 Other Supporting Documents

The following supporting schedules have been populated (where applicable) and are annexed hereto:

SA1: Supporting Detail to Budgeted Financial Performance
SA2: Matrix Financial Performance Budget (revenue source/expenditure type and dept.)
SA3: Supporting detail to Budgeted Financial Position
SA4: Reconciliation of IDP, Strategic Objectives and Budget (Revenue)
SA5: Reconciliation of IDP, Strategic Objectives and Budget (Operating Expenditure)
SA6: Reconciliation of IDP, Strategic Objectives and Budget (Capital Expenditure)
SA7: Measurable Performance Objectives
SA8: Performance Indicators and Benchmarks
SA9: Social, Economic and Demographic Statistics and Assumptions
SA10: Funding Measurement
SA11: Property Rates Summary
SA12a: Property Rates by category (current year)
SA12b: Property Rates by category (budget year)
SA13: Property Rates by Category
SA14: Household Bills
SA15: Investment Particulars by Type
SA16: Investment Particulars by Type
SA17: Borrowing
SA18: Transfers and Grant Receipts
SA19: Expenditure on Transfers and Grant Programme
SA20: Reconciliation of Transfers, Grant Receipts and Unspent Funds
SA21: Transfers and Grants made by the Municipality
SA22: Summary Councillor and Staff Benefits
SA23: Salaries, Allowances and Benefits (political office bearers/councillors/senior managers)
SA24: Summary of Personnel Numbers
SA25: Budgeted Monthly Revenue and Expenditure
SA26: Budgeted Monthly Revenue and Expenditure (Municipal Vote)
SA27: Budgeted Monthly Revenue and Expenditure (Standard Classification)
SA28: Budgeted Monthly Capital Expenditure (Municipal Vote)
SA29: Budgeted Monthly Capital Expenditure (Standard Classification)

SA30: Budgeted Monthly Cash Flow
SA32: List of External Mechanisms
SA33: Contracts having Future Budgetary Implications
SA34a: Capital Expenditure on New Assets by Asset Class
SA34b: Capital Expenditure on the Renewal of Existing Assets by Asset Class
SA34c: Repairs and Maintenance Expenditure by Asset Class
SA34d: Depreciation by Asset Class
SA35: Future Financial Implications of the Capital Budget
SA36: Detail Capital Budget
SA37: Projects Delayed from Previous Financial Years
SA38 - Supporting Table Consolidated detailed operational projects

2.15 Municipal Entity – Enterprise iLembe

iLembe District municipality has one municipal entity, Enterprise iLembe which focuses mostly on the local economic development within the district. The budget for the municipal entity for the 2017/2018 financial year is R 38 million. It must be noted that the municipality has to submit a consolidated budget together with the entity. The Entity budget could be further viewed on SA31.

2.16 Service Agreements

Adequate provision has been made on the operational budget to meet the expected expenditure for the following significant service providers:

Supplier	Nature of Service
CICS (Pty) Ltd	Software maintenance contract
KwaDukuza Municipality	Electricity
Telkom	Tele-communication
Siza Water	Water and sewer
Umgeni Water	Water
Wesbank Fleet Management	Lease of vehicle
Capital Office Automation	Lease of printers and photocopiers
Isidingo Security Services	Provision of security for municipal buildings and infrastructure

2.17 Public Consultation and Publication of 2016/17 Draft Budget

In terms of section 22 of the MFMA and in accordance with chapter 4 of the Municipal Systems Act, the Accounting Officer of the municipality must make public the draft

annual budget, invite local community to submit representations in connection with the budget.

After the budget is tabled, public participation meetings will be set in order to allow the communities and other stakeholders to comment on the draft budget and to allow the Mayor of the District the opportunity to respond to such inputs before the budget is finalised in May.

The tabled budget will be submitted to National and Provincial Treasury as per the requirements of the MFMA.

2.18 Cost Containment Measures

iLembe District Municipal Council adopted a policy on cost containment in May 2015. The municipality thereafter started implementing the policy with effect from 1st of July 2015. The municipality has reprioritised its expenditure in line with the policy and this is reviewed by management on a monthly basis. Amongst the measures implemented thus far is the cutting down on travel, printing and telephone costs, overtime and putting a moratorium in the filling of newly created posts that are currently vacant. The municipality has further taken a vigorous step in phasing out usage of consultants and insourcing most of services that were previously outsourced to consultants more particularly from engineering services function. A comprehensive cost reduction strategy to map out future plans to deal with the issue of containing costs within affordable levels is currently being developed as well.

Revenue collection

There have been an improvement on the month to month collection rate compared to the 2015/16 mid-year budget assessment. As reported at mid-year, the year to date average collection rate achieved positive results, sitting at 70% at mid-year ending 31 December 2016.

The municipality is aware of the current financial challenges, as a result a Financial Recovery Plan was established to turn the situation around. A task team was formed in October 2016 to effectively implement the plan mainly consisting of revenue enhancement and protection, debt collection and cost containment strategies as well as how modern strategies can be maximised in the course of conducting municipal business in order to enhance operational efficiencies.

Implementation of prepaid intelligent meters

This project is continuous, it was implemented to increase revenue collection and to reduce outstanding debtors and bad debts. Prepaid meters are installed with a smart device and consumers buy prepaid water as they do with electricity.

Project was initiated towards the end of 2012/2013 financial year and has not been completed. Prepaid meters are installed in different wards in KwaDukuza, Mandeni, Ndwedwe and Maphumulo. The municipality had installed 21 246 prepaid meters in the district as at December. The project has currently been put on hold while implementing the financial recovery plan. It will resume in due course.

Implementation of the credit control policy

The credit control is being enforced in the following manner:

- Businesses are being restricted/disconnected when payment is not received,
- Restrictions are also being done for residential consumers
- Outstanding debt is also being handed over to a debt collector,
- For government debt, National and provincial Treasury is assisting with collection; the revenue section is also liaising with Provincial Treasury in terms of amounts outstanding.

Data Cleansing

- The consumer data that the district has, is compared to that of the family of municipalities within the district in order to check consistency in information and billing.
- Where there are discrepancies, a physical verification is performed,
- Water and sewer accounts have been consolidated, which allows the district to disconnect or restrict when payment is not received, as well as allocation of payments to both sewer and water accounts.
- The cleansing of data will assist in improving the quality of billing information.

Indigent Support

During the course of 2016/17, Cogta has been engaged to assist in aligning the District's register with the LM's. Furthermore the below is to be noted:

- Economic profiling and risk analysis of households has been done,
- This analysis will also be used to identify people who are possibly indigent and those targeted households will be visited in order to ascertain whether those people are really indigent (they will be requested to fill the application forms and submit all relevant documentation and will be assessed according to the criteria of being indigent),
- Indigent registers from the family of municipalities within the district has also been compared to identify consumers that are registered as indigents by locals but not registered by the district. An indigent registration campaign will also be conducted with the assistance of ward councillors to encourage the identified consumers to apply for indigent status.

3. CONSULTATIONS

- Chief Financial Officer & The Accounting Officer
- His Worship, the Mayor, Cllr S Gumede
- All Directorates
- The National Treasury & The Provincial Treasury
- The Budget Steering Committee

4. RESOLUTIONS/RECOMMENDATIONS

Recommends **THAT**

- The Council consider in terms of Section 24 of the Municipal Finance Act, 56 of 2003, the Draft Annual Budget of the Municipality for the Financial year 2017/2018; and indicative allocations for the two projected outer years 2018/2019 and 2019/2020; as set out in the A Schedules annexured hereto as follows:

Table A2: Budgeted Financial Performance (Revenue and Expenditure by standard classification)
Table A3: Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
Table A4: Budgeted Financial Performance (Revenue and Expenditure)
Table A5: Budgeted Capital Expenditure by Vote, Standard Classification & Funding Source)
Table A6: Budgeted Financial Position
Table A7: Budgeted Cash Flow
Table A8: Cash backed reserves/accumulated surplus reconciliation
Table A9: Asset Management
Table A10: Basic service delivery measurement

It should be noted that in respect of Capital Expenditure Estimates:

- Instances where information has been provided in terms of Section 19(2) (b) of the Municipal Finance Management Act No.56 of 2003, the consideration of capital budget constitutes projects consideration for the specific projects as reflected in the detailed capital budget. Where information in terms of section 19(2) (b) is not provided, specific project approval be sought from council during the course of the year.
- That Council consider the draft amendments to its Tariffs of Charges as depicted on the schedule annexed hereto and marked as annexure B.
- That the Budget related policies be noted with the respective amendments;
 - Fixed Assets Management Policy
 - Inventory Management Policy

- Unauthorized, Irregular, Fruitless & Wasteful Expenditure Policy
 - Borrowing Policy
 - Funding and Reserves Policy
 - Long Term Financial Planning
 - Infrastructure, Investments and Capital Projects
 - Banking, Cash Management & Investments Policy
 - Petty Cash Policy
 - Budget Policy
 - Credit Control & Debt Collection Policy
 - Indigent Management Policy
 - Customer Care and Management Policy
 - Supply Chain Management Policy
 - Virement Policy
 - Tariff Policy
 - Austerity measures policy
 - Accounts payables policy
- That the draft tariff of charges for 2017/18 financial year be increased by 10%.
 - That in compliance with section 22 of the MFMA, the draft budgets be published in the local press and municipal website, it being noted that Council's department of Corporate Governance will attend to these aspects.
 - That the Sewer Tariff to be calculated on the market value of the property reflected in the KwaDukuza & Mandeni Municipality's valuation roll (excluding the Siza Water Concession Area) as follows:

2017/18	Type of Property
0.0087 cents in the rand on the market value	In respect of agricultural properties.
0.0069 cents in the rand on the market value	In respect of residential properties including sectional title units.
0.0232 cents in the rand on the market value	In respect of industrial, business and commercial properties.

0.288 cents in the rand on the market value up to a maximum of R493,02 per month	In respect of schools and properties used for worship or by welfare organisations.
0.288 cents in the rand on the market value	In respect of vacant properties.
0.0430 cents in the rand on the market value	In respect of state owned properties and public service infrastructure properties.
0.0430 cents in the rand on the market value	In respect of any other property not mentioned above.

- That where there is no valuation roll; the following be applicable:

2017/18
50% of the water consumption and water charge levied on a monthly basis.

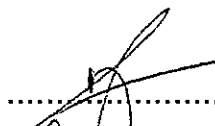
- That Council notes that the service delivery and budget implementation plan for the 2017/2018 financial year will be tabled 28 days after the budget has been adopted.



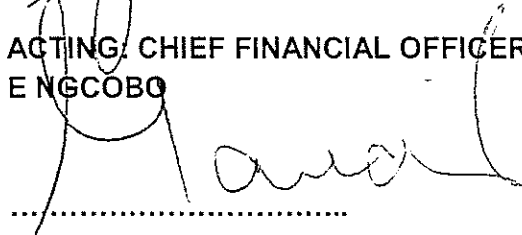
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S CHONGUENE

SUPPORTED / NOT SUPPORTED



ACTING CHIEF FINANCIAL OFFICER
E NGCOBO



MUNICIPAL MANAGER
PN GAMEDE